No. 00-249

Supreme Court, U.S.
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In The

Supreme Court of the United States

ATLANTIC RICHFIELD COMPANY, et al.,

Petitioners,

v.

UNION OIL COMPANY OF CALIFORNIA,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

AMICI CURIAE BRIEF OF THE STATES OF ALABAMA, ARIZONA, ARKANSAS, CALIFORNIA, COLORADO, DELAWARE, GEORGIA, ILLINOIS, INDIANA, KANSAS, KENTUCKY, MAINE, MASSACHUSETTS, MICHIGAN, MINNESOTA, MISSOURI, NEVADA, NEW HAMPSHIRE, NEW JERSEY, NEW MEXICO, NEW YORK, NORTH CAROLINA, NORTH DAKOTA, OHIO, OKLAHOMA, PENNSYLVANIA, SOUTH CAROLINA, SOUTH DAKOTA, TEXAS, UTAH, VIRGINIA, WASHINGTON, WEST VIRGINIA, AND WISCONSIN AND THE DISTRICT OF COLUMBIA IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the federal courts should uphold the validity of a patent when the patent's sole value comes from its resemblance to state regulatory requirements, rather than from the discovery of an innovative technology, and the patent is contrary to the public interest.

2. Whether a patent is valid when the patent's original claims include one trillion different combinations, and its claims are thereafter changed to claims which resemble regulatory requirements.

3. Whether a patent applicant should be required to fully and completely disclose all material information to the Patent and Trademark Office.

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INTEREST OF *AMICI CURIAE*

Ordinarily, States are not interested in disputes over the validity of patents. Nevertheless, these States are concerned about this particular case because it raises broad policy implications, beyond the rights of a few private corporations.

The basis for our concerns is that the value of Unocal's patent derives solely from its similarity to the complex requirements of California's cleaner-burning gasoline regulations. Unocal's patent is not for a new technology or a new chemical. Rather, the patent claims various combinations of gasoline characteristics, designed to resemble the regulatory requirements set by California. Unocal has essentially sought to patent a state regulatory requirement.

The States' concerns fall into two categories. First, the Federal Circuit's decision potentially allows Unocal to monopolize the retail gasoline market, and significantly increase the price consumers pay for gasoline. Second, Unocal's prosecution of this patent distorted and abused California's administrative regulatory process, and provides a model for similar mischief in a variety of important environmental and consumer protection contexts. The States – unlike the oil companies who are parties – are uniquely positioned to supply public law and policy analysis on these issues of public concern.

The Clean Air Act allows the federal government to regulate the composition of gasoline, in order to control ozone, the primary constituent of smog across the Nation. *See* 42 U.S.C. § 7545; 40 C.F.R. Part 80. This legislation recognized that the composition of gasoline can greatly

influence the amount of ozone-forming pollutants in car and truck emissions. The most recent iteration of gasoline that meets these federal requirements is commonly called federal reformulated gasoline, or federal RFG. *See* 40 C.F.R. §§ 80.40-.83.

The Clean Air Act also allows California to set more stringent fuel specification standards, and it has done so. *See* 42 U.S.C. § 7545(c)(4)(B); Cal. Health & Safety Code §§ 43013, 43018; 13 Cal. Code Regs. §§ 2250-73. The gasoline that California allows to be sold within its boundaries is commonly called CaRFG, or CARB gas. California's "Phase 2" requirements were adopted in 1991, and the "Phase 2" technical requirements were finalized in 1994. Other States could also adopt advanced fuel specification regulations, if those regulations were necessary to reach air quality standards and the appropriate approvals were obtained. *See* 42 U.S.C. § 7545(c)(4)(C). *See also* 65 Fed.Reg. 16094, 16096-97 (Mar. 24, 2000) (describing the areas, within many of the *Amici* States, where reformulated gasoline is required to be sold and used).

In this case, Unocal's inventors admitted that this patent was developed to "resemble" California's fuel specification regulations. Thus, the trier of fact determined that 29% of all of the gasoline sold in California, for the five months at issue at the trial, was within Unocal's patent. The trial court awarded damages – computed at 5¾ cents per gallon – of over $69,000,000, plus interest, attorneys' fees and costs. That amount was for only the five months at issue during the trial, and only for California. It remains to be seen what the complete –

and ongoing – effects of this patent will be. However, they are sure to be considerable.

This case has serious implications beyond this one particular patent, however, and beyond California. *Unocal has since obtained four other, similar patents.* All were based on the original patent application, and Unocal appears to have designed these additional patents to "resemble" the federal, nation-wide fuel specification regulations. *See* Alexei Barrionuevo, *Exhausting Feud: A Patent Fracas Pits Unocal Corp. Against Big U.S. Oil Producers*, WALL ST. J., Aug. 17, 2000, at A1. No litigation has yet occurred on these additional four patents, but the potential is there for Unocal to control the entire Nation's gasoline market, increasing prices even further. The patents certainly have increased uncertainty about the availability of gasoline, and therefore have already indirectly increased consumer prices. *See* Alexei Barrionuevo, *Fears Over Gasoline Patents May Buttress Prices*, WALL ST. J., May 1, 2000, at A2; Pam Belluck, *In Gas Prices, Misery and Mystery*, N.Y. TIMES, June 14, 2000, at A18. As every consumer knows, retail gasoline prices have increased dramatically in the last two years, with even higher temporary price spikes. Because of these potentially widespread economic effects, this case has important consequences for the Nation.

Even beyond the retail gasoline price consequences of this patent, this case portends undeniable conflict between the patent system and the States' obligations to protect their citizens. This is because Unocal's patents could provide it with a monopoly on a product which the law requires consumers to use. In this case, California adopted the strictest cleaner-burning gasoline requirements in the nation, in an effort to protect the health of its

citizens. California actually set standards for the composition of gasoline to be sold within its borders. Unocal has attempted, by this patent, to commandeer these regulations – adopted for the benefit of all California residents – for its own profit motive. This places the State of California in the untenable position of effectively having to choose between cleaning up the air and encouraging increased competition in the gasoline market.

In many other arenas, in order to protect the health and safety of their citizens, the States may feel compelled to require the use of a particular product, or the use of a product with particular characteristics. This could occur in the context of environmental protection or consumer safety regulation. States might wish to require particular water quality control technology. States might wish to require particular products to be sold in particular containers. States might wish to require drivers to use particular safety equipment. The patent system should not allow opportunistic businesses to covertly create monopolies on these regulatory choices. Nor should it force States considering these kinds of approaches – requiring the use of a product developed through a state regulatory process – to also risk unknowingly providing a monopoly (and the accompanying windfall) to the first manufacturer of the legally-required product.

What makes this patent even more unconscionable is that Unocal developed this patent while it was participating in a public-private partnership designed to assist in the development of the regulations at issue. Unocal did not develop its patent *after* the regulations were adopted, as a consequence of a technology-forcing legal requirement. Nor did Unocal disclose the patent to the State of

California, so that the State could take the patent into account in deciding whether to adopt the regulations. Rather, Unocal kept the patent application, its amendments, and the patent itself secret until after the regulations were finalized – *while Unocal was discussing, with its competitors and the State of California, what form the California regulations should take.* In this way, Unocal sought to hijack and distort the state regulatory process.

The overarching question this case presents is whether the Courts of the United States should allow the patent system to be used in this manner, to distort and plunder the States' regulatory processes. Never before has the Court addressed this exceedingly important question.

REASONS FOR GRANTING THE PETITION

I. THE COURT SHOULD REQUIRE THE FEDERAL COURTS TO EVALUATE PATENTS IN LIGHT OF THE PUBLIC INTEREST

The explicit purpose of the Constitution's Patent and Copyright Clause is to "promote the Progress of Science and useful Arts." CONST. art. I, § 8, cl. 8. Thus, patents are granted to serve the public interest. *See Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) ("The primary objective of copyright is not to reward the labor of authors, but '[t]o promote the Progress of Science and the useful Arts.' "); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) ("the limited grant is a means by which an important public purpose may be achieved"); *Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1966)

(discussing that the federal patent power does not go beyond the constitutional grant of power). "When there is no novelty and the public parts with the monopoly grant for no return, the public has been imposed upon and the patent clause subverted." *U.S. v. Singer Mfg. Co.*, 374 U.S. 174, 199 (1963) (White, J., concurring). As one Court of Appeals long ago stated, "the law does not allow the granting of these valuable franchises to private individuals, with consequent public detriment, unless there is a concomitant public benefit." *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 439 F.2d 1369, 1371 (5th Cir. 1970), *cert. denied*, 400 U.S. 956.

While we should encourage companies to pursue innovation to meet consumer demands, or to meet already-adopted technology-forcing environmental requirements, that is not what occurred here. Unocal's amendment and substitution of patent claims simply tracked the development of the California's cleaner-burning gasoline regulations. As one of Unocal's inventors testified, "Some of [the claims] were narrowed at various times to resemble the [California] regulations." Moreover, at the same time it was prosecuting this patent, Unocal was lobbying before California's administrative agency, participating in an administrative process, intended for the benefit of the general public, which would create regulations Unocal could use to attempt to control the California gasoline market. The actual value of this patent flows from the fact that it covers products required by California's cleaner-burning gasoline regulations, *not the patent's inventiveness*. Unocal would have had to meet

these regulatory requirements to sell gasoline in California, regardless of whether it developed a patent. Upholding the validity of the patent just rewards Unocal's timing, secretiveness and audacity. It does not serve the public interest.

Amazingly, the courts below ignored the public interest implications at play in this case. Those public policy arguments fell on deaf ears at the trial court and at the Federal Circuit. *Nowhere* does the decision below address the requirement that the patent be in the public interest. There simply is no discussion of the implications of this decision. Instead, the lower courts focused exclusively on the parties before them. This Court needs to remind the federal courts that patent cases – especially cases like this which have obvious consequences for ordinary, everyday consumers – are not just a financial dispute between two private corporations. Patent cases have an impact on the public at large. Consistent with the Constitution's Patent and Copyright Clause, this Court should require the federal courts, in deciding the validity of patents, to evaluate whether the patent is in the public interest. This case provides a splendid opportunity to do so, because the public interest weighs so clearly against the validity of this patent.

II. THE COURT SHOULD REQUIRE A STRICT CONSTRUCTION OF THE PATENT LAW'S WRITTEN DESCRIPTION REQUIREMENT IN CASES SUCH AS THIS

One of the legal issues in this case is whether Unocal's original patent application contained a

sufficiently adequate written description of its subsequently added claims. This issue is salient because Unocal's original patent application would have included literally a trillion gasoline property combinations.

A patent application must include,

> "a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."

35 U.S.C. § 112. *See also Universal Oil Prods., Inc. v. Globe Oil & Ref. Co.*, 322 U.S. 471, 484 (1944) ("preciseness of description is essential"). As one Court of Appeals explained,

> "Adequate description of the invention guards against the inventor's overreaching by insisting that he recount his invention in such detail that his future claims can be determined to be encompassed within his original creation."

Rengo Co. v. Molins Mach. Co., 657 F.2d 535, 551 (3rd Cir. 1981), *cert. denied*, 454 U.S. 1055. Without specific identification in the original application, "simply describing a large genus of compounds is not sufficient to satisfy the written description requirement as to particular species or sub-genuses." *Fujikawa v. Wattanasin*, 93 F.3d 1559, 1571 (Fed. Cir. 1996).

These *Amici* States believe that important public policy considerations warrant the *strict construction* of the

patent laws, including the written description requirement, in a case such as this. This patent covers products *mandated* by government regulations developed during the patent application process. Failure to strictly construe the written description requirement will encourage companies to file broad, preliminary and ill-defined patent applications at the beginning of an administrative rulemaking process, followed by substantial amendments that conform more closely to the developing and ultimately adopted regulatory requirements – exactly as Unocal did in this case. Thus, a patent's monopoly will be achieved without disclosure to the rulemaking body (since patent applications can be kept secret), obstructing the agency's ability to protect and advance the public interest – again, exactly as Unocal did in this case. This is simply bad public policy.

In this case, in assessing the written description requirement, the Court of Appeals – over a vigorous dissent – allowed Unocal's written description because it came reasonably close. The panel failed to assess the connection between the California cleaner-burning gasoline regulations and Unocal's patent. Granting certiorari in this case provides this Court with the opportunity to ensure that the written description requirement will be vigorously enforced and strictly construed in cases involving the public interest.

III. THE COURT SHOULD ALSO ENSURE THAT PATENT APPLICANTS MAKE A FULL AND COMPLETE DISCLOSURE TO THE PATENT AND TRADEMARK OFFICE

While pursuing patents, applicants have an obligation to conduct themselves with " 'the highest degree of candor and good faith.' "[1] *Kingsland v. Dorsey*, 338 U.S. 318, 319 (1949). "The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope." *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945). *See also Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 882 F.2d 1556, 1563 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 1076 (1990). Moreover, this Court has more recently explained that if a patent applicant commits fraud on the Patent and Trademark Office, the applicant may be liable for antitrust violations. *See Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965); *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068-71 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 876.

It is no secret that there has been an overwhelming increase in the workload of the Patent and Trademark

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[1] We are cognizant that the question of inequitable conduct is not squarely within the questions framed by the petition for writ of certiorari. However, we believe the question of inequitable conduct is inextricably linked to the question of whether a patent is in the public interest.

Office. With the current technological revolution, touching on computers, biotechnology and other fields, companies are filing an avalanche of patent applications. This increased workload has had an overpowering impact on the staff of the Patent and Trademark Office, and increased public scrutiny on the appropriateness of granting some patents. *See, e.g., Patents: Witnesses at Oversight Hearing Testify on Continuing Issue of PTO Fee Diversion,* BNA PATENT, TRADEMARK & COPYRIGHT LAW DAILY, Mar. 14, 2000 (discussing increased workload of Patent and Trademark Office and increased criticism of quality of patents issued). This means that the courts need to be particularly vigilant about the process by which patents – in secret – are sought.

In this case, Unocal failed to disclose to the Patent and Trademark Office the extent to which its patent grew from and was dependent upon the outcome of California's administrative regulatory proceedings. Unocal participated in a government-industry partnership to develop cleaner-burning gasoline. It knew that California was developing stringent fuel specification regulations. It modified its patent application to "resemble" those regulations. Yet, Unocal's disclosure to the Patent and Trademark Office was vague and incomplete. The only disclosure that Unocal made was to forward a newspaper article discussing the adoption of California's regulatory standards. Unocal failed to explain the significance of those regulations or indeed the *very close connection* between the regulations and its patent. Unocal had a duty to make a full and complete disclosure, and simply failed to do so. Unocal should have provided the Patent and Trademark Office this full and complete disclosure,

explaining that Unocal's patent claims were amended to resemble the California regulations, so that the Patent and Trademark Office could reasonably make a determination of whether this patent was innovative and in the public interest.

Patents are granted in the public interest, to promote the public welfare. Consumer welfare is, of course, also advanced by government-industry partnerships such as that formed to combat air pollution. It was at best inequitable conduct for Unocal to work hand-in-glove with the other participants in a state administrative process to develop cleaner-burning gasoline, while at the same time seeking to garner a monopoly from the fruits of that joint endeavor, all the while hiding its true objective. If Unocal had advised the State of California that it was seeking this patent, California could have taken into account that vital information in the administrative regulatory process. Instead, Unocal essentially sought in secret to patent the regulations which California adopted. A patent gained by virtue of such conduct should be invalidated as manifestly contrary to the public good.

CONCLUSION

The Court should grant the petition for writ of certiorari.

Dated: September 14, 2000

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